



XMH Holdings Ltd.

Company No.: 201010562M

Incorporated in the Republic of Singapore

PROPOSED DISPOSAL OF 80% SHARE CAPITAL IN Z-POWER AUTOMATION PTE. LTD.

1. INTRODUCTION

The Board of Directors of XMH Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has entered into a sale and purchase agreement (the "**SPA**") with Goo Koh Chai (the "**Purchaser**") on 27 September 2019 in relation to the Company's proposed disposal of its 80% shareholding interest ("**Sale Shares**") in its subsidiary, Z-Power Automation Pte. Ltd. ("**ZPA**") for a nominal consideration of S\$1.00 (the "**Sale Consideration**") (the "**Disposal**").

2. INFORMATION ON ZPA AND PURCHASER

- 2.1 ZPA was an 80% subsidiary of the Company. ZPA engages in the business of designing, engineering and manufacturing of switchboards, distribution panels, motor control centres, shipboard cable installation, alarm monitoring and control systems and other related automation works for all types of marine vessels.
- 2.2 The Purchaser is a businessman with various investment interests. The Purchaser is a director of Inter Power Engineering Pte Ltd ("**IPE Singapore**"). The Purchaser is also a director and owns approximately 18% of IPE Automation Sdn. Bhd ("**IPE SB**"). To the best of the knowledge of the Directors of the Company, IPE Singapore and its related entities engage in the business of the manufacturing and sale of switchboards, control panels, consoles for use in commercial buildings, industrial plants and factory equipment. In early 2018, IPE SB acquired ZPA's 50% stake in Z-power Automation Vietnam Co. Ltd. to become the 100% parent company of Z-power Automation Vietnam Co. Ltd.
- 2.3 The remaining shareholders of ZPA are Ang Cheng Siew, See Hoon, Tan Hing Yiu and Goo Yu Guang, each holding a 5% shareholding stake in ZPA. Goo Yu Guang is the son of the Purchaser. He is also a 40% shareholder and director of IPE Singapore. The other three shareholders of ZPA are not related to the Purchaser.

3. RATIONALE FOR THE DISPOSAL

- 3.1 ZPA's business contributes approximately 16.4%, 18.6%, 13.8% and 16.2%, to the Group's total revenue for FY2017, FY2018, FY2019 and the first quarter ended 31 July 2019 ("1QFY2020") respectively. As at 31 July 2019, the unaudited net tangible assets of ZPA amounted to S\$1.6 million. Losses of ZPA for FY2017, FY2018, FY2019 and 1QFY2020 amounted to S\$3.2 million, S\$1.8 million, S\$3.8 million and S\$0.8 million respectively.
- 3.2 Based on the unaudited consolidated financial statements of the Group for 1QFY2020, (i) the book value of the Sale Shares amounted to approximately S\$1.55 million and (ii) the net loss attributable to the Sale Shares amounted to approximately S\$0.51 million. The open market value of the Sale Shares is not available as the Sale Shares are not publicly traded. No valuation of the Sale Shares was commissioned.
- 3.3 The Group disposed its stake in Z-power Automation Vietnam Co. Ltd. in early 2018 after taking into consideration the decline in the marine and offshore industry resulting in a lack of viable projects. Notwithstanding various cost-cutting measures and streamlining of business operations, ZPA has been incurring continued losses over the last three consecutive financial years. The outlook of ZPA is also unlikely to show prospect of a turnaround. The Company is of the view that the Disposal will help the Company mitigate further losses and will also enable the Company to focus on its core business of providing diesel engine, propulsion and power generating solutions to customers in the marine and industrial sectors.
- 3.4 The Disposal was carried out as part of the Group's continuing efforts to rationalize its business and operations to improve its financial performance. There is no material change in the business profile of the Group following completion of the Disposal.

4. SALIENT TERMS OF THE SPA

- 4.1 Sale Consideration. The Sale Consideration shall be a nominal amount of S\$1.00 which was arrived at on a willing buyer willing seller basis and taking into consideration the financial information of ZPA referred to in paragraph 3.1 above. The Sale Consideration will be satisfied wholly in cash at Completion (defined below).

As the Sale Consideration of and proceeds from the Disposal is only S\$1.00, it is not meaningful to discuss the use of proceeds from the Disposal.

- 4.2 Conditions Precedent. The completion of the Disposal ("**Completion**") is conditional upon (i) the approval of the Company's shareholders ("**Shareholders**") for the Disposal prior to Completion or, as the case may be, the approval of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") that the Company can proceed to obtain Shareholders' approval to ratify the Disposal after Completion, and (ii) the written waiver

of all pre-emption rights by each of the remaining 20% shareholders of ZPA being obtained. The Disposal will be completed on the day the said conditions precedent are fulfilled ("**Completion Date**"), which Completion Date shall not be later than the agreed long-stop date of 31 December 2019.

4.3 Completion. On Completion Date, the Purchaser will deliver the following to the Company:

- (a) a cashier's order in favour of the Company for an amount of S\$388,000;
- (b) a cheque in favour of the Company for an amount S\$150,000 dated the day which is one month after the date of the SPA; and
- (c) a cheque in favour of the Company for an amount S\$150,000 dated the day which is one month after the date of the cheque referred in paragraph (b) above,

as full and final settlement of the aggregate amount of approximately S\$1.3 million owing by ZPA to the Group ("**Amounts Owing**"). If any cashier's order or cheque is dishonoured or not cleared, the Purchaser shall be immediately liable to pay the full face value of such cashier's order or cheque to the Company. Upon full receipt of the aforesaid amount of S\$688,000 in the Company's bank account, the remaining amount of approximately S\$612,000 of the Amounts Owing will be waived by the Company.

4.4 Post-Completion Undertaking. Under the terms of the SPA, the Purchaser shall, within two months after the Completion Date, procure the discharge and release of any and all corporate guarantees and all forms of securities provided by the Company and/or its subsidiaries in connection with ZPA's indebtedness ("**Securities**").

4.5 Indemnity. The Purchaser has also irrevocably undertaken in the SPA to fully indemnify the Company against any losses incurred by the Company in connection with or arising from the Securities.

5. **FINANCIAL EFFECTS OF THE DISPOSAL**

The pro forma financial effects are presented for illustrative purposes only and are not intended to reflect the actual future financial position of the Group following completion of the Disposal.

Such pro forma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 April 2019 and based on the following assumptions:

- (a) the financial effects of the Disposal on the net tangible assets per share of the Company are computed assuming that the Disposal was completed on 30 April 2019;
- (b) the financial effects of the Disposal on the loss per share of the Company are computed assuming that the Disposal was completed on 1 May 2018;
- (c) the total number of issued shares in the Company as at the date of this announcement is 109,282,221 (excluding shares held as treasury shares and subsidiary holding); and
- (d) transactional costs incurred for the Disposal are assumed to be insignificant and as such, have not been taken in account in the computation of the financial effects.

	Before Completion	After Completion
Net Tangible Assets per share (S\$ cents)	52.24	48.84
Loss Per Share (S\$ cents)	3.04	3.10
Net Gearing (times)	0.82	0.83

The loss on disposal based on the 1QFY2020 unaudited financial statement of ZPA is approximately S\$2.2 million, arising from loss of disposal of S\$1.6 million and the aforesaid waiver of the approximately S\$612,000 balance of the Amounts Owing.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Disposal computed on the bases set out in Rule 1006 of the Listing Manual based on the Company's latest announced unaudited consolidated financial statements of the Group for the first quarter ended 31 July 2019 are as follows:

Rule 1006 Bases	XMH Group S\$'000	80% of ZPA S\$'000	Relative figures %
(a) The net asset value of the assets to be disposed of compared with the Company's net asset value	55,529	1,549	3%
(b) The net loss attributable to the assets disposed compared with the Company's net loss	(2,409)	(512)	21% ⁽¹⁾
(c) The aggregate value of the consideration given or received compared with the Company's market capitalisation on 19 September 2019, being the last market day on which the Company's shares were traded preceding the date of the SPA	16,829,462 ⁽²⁾	0.001	Not Meaningful
(d) The number of equity securities issued by the Company as consideration for the proposed acquisition, as compared with the number of equity securities previously in issue		Not applicable	
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Company's proved and probable reserves		Not applicable	

Footnote:

- (1) Net profits/loss is defined to be profit or loss before income tax and after non-controlling interests items.
- (2) The market capitalisation is determined by multiplying the number of shares in issue (ie. 109,282,221) by the weighted average price (ie S\$0.154) of such shares transacted on 19 September 2019 being the last market day on which the Company's shares were traded preceding the date of the SPA.

The relative figure computed under Rule 1006(b) above exceeds 20% and as such the Disposal would constitute a major transaction under Chapter 10 of the Listing Manual and would be subject to the approval of Shareholders. The Company is currently seeking the approval of the SGX-ST that the Company may proceed to obtain Shareholders' approval to ratify the Disposal after Completion and will update Shareholders in due course.

7. INTERESTS OF DIRECTORS, CONTROLLING AND/OR SUBSTANTIAL SHAREHOLDERS

None of the Directors, controlling shareholders and/or substantial shareholders of the Company has any interest, direct or indirect, in the Disposal save for their shareholdings (if any) in the Company.

8. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Disposal.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of the Company at 55 Tuas Crescent #07-01 Singapore 639743 for three (3) months from the date of this announcement.

For and on behalf of the Board

Tan Tin Yeow
Chairman and Managing Director

29 September 2019